

Office of Chief Counsel
Internal Revenue Service

memorandum

CC:NER:BRK:TL-N-643-00
HNAdams

date: March 27, 2000

to: District Counsel, North Texas District
Attention: John Repsis

from: District Counsel, Brooklyn

subject: [REDACTED] (separately and as wholly-owned
subsidiary of [REDACTED]) - CHIPS Tax Shelter
Closing Agreements
U.I.L. Numbers: 9214.04-00, 9999.97-00

Reference is made to your March 9, 2000 memorandum transmitting two proposed closing agreements and explanatory materials relating to a CHIPS lease stripping transaction involving [REDACTED].

We have reviewed the proposed closing agreements and believe they reflect an acceptable basis upon which to resolve the issues relating to the [REDACTED] CHIPS lease stripping transaction with two exceptions.

First, to avoid any suggestion that any of the transactions had economic substance, we recommend the deletion of the word "proper" from the parenthetical contained in paragraph [REDACTED] of the agreement covering [REDACTED] - [REDACTED] and paragraph [REDACTED] of the agreement covering from [REDACTED].

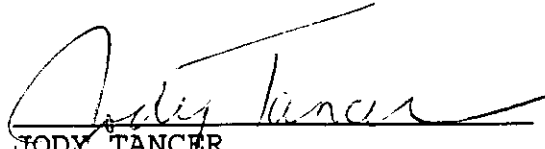
Second, in accordance with our discussions and e-mails of earlier today and to avoid any suggestion that the language contained in paragraph [REDACTED] of the agreement covering [REDACTED] - [REDACTED] and paragraph [REDACTED] of the agreement covering from [REDACTED] might relate to the tax basis of the preferred stock of [REDACTED] that was transferred to [REDACTED], we recommend that you add the following language as separate paragraphs to each of the proposed agreements:

Nothing in this closing agreement shall be construed as an admission or agreement on the part of the Commissioner as to the amount of the tax basis or fair market value (if any) of the preferred stock of [REDACTED] after its transfer to [REDACTED] pursuant to the Exchange Agreement.

We have coordinated with the National Office and it has advised us that it agrees with this advice. Any questions regarding this advice should be referred to Halvor Adams on (516) 688-1737.

DONALD SCHWARTZ
District Counsel

By:


JODY TANCER
Assistant District Counsel

Office of Chief Counsel
Internal Revenue Service

memorandum

CC:NER:BRK:TL-N-643-00
HNAdams

date: March 10, 2000

to: Assistant Chief Counsel (Field Service) CC:DOM:FS
Attention: TSS4510

from: District Counsel, Brooklyn

subject: [REDACTED] (separately and as wholly-owned subsidiary of [REDACTED] - CHIPS Tax Shelter Closing Agreements
U.I.L. Numbers: 9214.04-00, 9999.97-00

Forwarded herewith please find a March 9, 2000 memorandum from North Texas District Counsel transmitting two proposed closing agreements and explanatory materials relating to a CHIPS lease stripping transaction involving [REDACTED]. The transaction was examined by the North Texas District with assistance from North Texas District Counsel and the Leasing ISP team. The Leasing ISP team discussed the proposed settlement of this and a similar CHIPS tax shelter involving [REDACTED] during its February 16, 2000 meeting. During the meeting, the National Office members of the Leasing ISP team (including Senior Technician Reviewers Harve Lewis and William Sabin, and attorney Carolyn Gary) asked to review the proposed closing agreements relating to this and the [REDACTED] CHIPS tax shelters. The purpose of the reviews is to ensure that the proposed settlements are consistent with the principles upon which the Service wishes to resolve lease stripping tax shelters. It was agreed that the reviews would be conducted using the 10-day procedures.

We have reviewed the proposed closing agreements and believe they are acceptable with one exception. To avoid any suggestion that any of the transactions had economic substance, we believe that the word "proper" should be deleted from the parenthetical contained in paragraph [REDACTED] of the agreement covering [REDACTED] - [REDACTED] and paragraph [REDACTED] of the agreement covering from [REDACTED]. We will incorporate that suggestion and any suggestions made by your office in our memorandum to the North Texas District informing them of the results of your review.

The proposed closing agreements incorporate two important suggestions that were discussed at the Leasing ISP team's February 16, 2000 meeting. First, the proposed agreements recite that the

Service asserts that the lease stripping transaction lacked economic substance and that references in the proposed agreements to transactions do not create any inference that they had economic substance. Second, the proposed agreements state that the taxpayer will cooperate in providing the Service with records, data, and testimony regarding preferred stock that was issued in connection with the lease stripping transaction.

The name of the case is [REDACTED], the TL-N is 643-00, and the U.I.L. numbers are 9214.04-00 and 9999.97-00. The contact person in our office is Halvor Adams, telephone number (516) 688-1737. Our office has informally discussed the subject of this memorandum with Senior Technician Reviewers Harve Lewis and William Sabin, and attorney Carolyn Gray, of your office, who agreed that the 10 day review procedures are appropriate. Our office will create a workload item for this case.

DONALD SCHWARTZ
District Counsel

cc: Assistant Regional Counsel (Tax Litigation)

Office of Chief Counsel
Internal Revenue Service

memorandum

CC:MSR:NTX:DAL:TL-N-7809-96
JSRepsis

date: March 9, 2000

to: Halvor Adams, III, Leasing ISP Field Counsel, CC:NER:BRK

from: District Counsel, North Texas District, Dallas

subject: Request for Approval of Lease-Stripping Shelter Closing Agreement
(separately and as wholly-owned subsidiary of [REDACTED])
[REDACTED]

Pursuant to your memorandum of February 17, 2000, our office submits to you two separate closing agreements for the computer hardware investment program (CHIPs) tax shelters which were entered into by [REDACTED]. These documents are submitted to you as the tax shelter involves a lease-stripping transaction.

Two agreements are enclosed in order to cover those periods when [REDACTED] was and was not a subsidiary of [REDACTED]. The terms of the agreement are detailed in Exhibit A to this memorandum. Exhibit B compares the terms of the agreement with the resolution proposed in the other CHIPs tax shelter that is currently pending before you.

The closing agreements contain many of the provisions suggested in your February 17th memorandum. The taxpayer has reviewed a draft of the closing agreements and suggested changes. These changes are incorporated in the attached agreements which should now be acceptable to the taxpayer. No commitment has been made to the taxpayer by the North Texas District to execute these agreements until they have been reviewed by you and the National Office.

If you should have any questions regarding these agreements or the attached documents, please call me at 972-308-7917.

THOMAS R. THOMAS
District Counsel

By: _____
JOHN S. REPSIS
Attorney

Attachments:
As stated